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October 18, 2005

VIA UPS

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re **Docket 05-00273**. Petition of CTC Communications Corp Regarding its
Intent to Provide Security in Connection with Financing

Dear Ms. Dillon:

Enclosed for filing with the Tennessee Regulatory Authority ("Authority") is an original and thirteen (13) copies of the responses of CTC Communications Corp. ("CTC") to the Authority's October 12, 2005 Data Request No. 1.

Also enclosed is a duplicate copy of this filing, and a self-addressed, postage paid envelope. Please date stamp the duplicate and return it in the envelope provided. Please contact the undersigned at (202) 955-9766 or via email at eeemmott@kelleydrye.com if you have any questions or require any additional information.

Respectfully submitted,

Erin Weber Emmott

Erin Weber Emmott

cc: Aster Adams (via email)
Carlos Black (via email)

- (1) **Provide a citation to a statute, rule, or order, which warrants the petition's approval.**

As indicated in its previous correspondences with the Authority on September 27, 2005, and October 11, 2005, based on Attorney General Opinion 99-119, issued May 14, 1999, CTC does not believe that the proposed multi-state financing requires Authority approval. Notwithstanding this fact, and without waiving its right to assert that the transaction is beyond the jurisdiction of the Authority, please see TENN. CODE ANN. § 65-4-109 for the applicable statute that warrants the petition's approval.

- (2) **Has CTC Communications Corp. ("CTC") filed similar petitions in other states and what is the status of any such petition?**

Yes, CTC has filed similar petitions in Delaware, Georgia, New Jersey, and New York. As of the date of this letter, the Delaware Public Service Commission decided to take no action regarding the financing, the Georgia Public Service Commission has approved the transaction. The financing transaction will become effective automatically on November 10, 2005 under the New York Public Service Commission rules. The New Jersey Board of Public Utilities is currently reviewing the application. Approval is anticipated in November.

- (3) **Has CTC applied for financing from any Federal agency? Have they notified any Federal Agency? If so, what is the status of any such application or notification?**

No, as indicated in the October 11, 2005 correspondence, this type of multi-state financing transaction does not require review or approval from any Federal agency, or for the parties involved to provide notice to any Federal agency.

- (4) **How many customers does CTC currently have in Tennessee?**

CTC currently has 33 customers in Tennessee.

- (5) **Confirm that CTC will continue to operate and/or provide service under its current name and CCN issued by the Authority, and its business licenses as filed with the Tennessee Secretary of State's Office.**

Yes, CTC will continue to operate and/or provide service under its current name and CCN issued by the Authority and its business licenses as filed with the Tennessee Secretary of State's Office.

- (6) **Verify all current CCNs issued with the Authority, and provide copies of all current business license of CTC filed with the Tennessee Secretary of State's Office.**

CTC is currently authorized by the Authority to resell interexchange services in Tennessee, in Case No. 95-02520, issued September 12, 1995. A copy of CTC's current business license filed with the Tennessee Secretary of State's Office attached hereto as *Attachment A*.

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
October 18, 2005
Page Two

- (7) **Provide an electronic proposed order designed to grant the relief you seek in the Petition filed with the Authority on October 11, 2005.**

Please see *Attachment B* for a hard copy of the proposed order. In connection with this filing, a copy of the proposed order was emailed to the following individuals.

Aster.Adams@state.tn.us
Sharla.Dillon@state.tn.us
Carlos.Black@state.tn.us

- (8) **Per the Financing Heading of the Petition filed with the Authority on October 11, 2005, borrowers proposed to borrow up to \$500 million through “one or more financing arrangements.” Provide documentation showing the specific financing arrangements that will be used for the proposed financing.**

As the specifics of the proposed financing arrangements have not been finalized, CTC is unable to provide documentation showing the specific financing arrangement that will be used for the proposed financing.

- (9) **Under the Security Section of the Petition, it certifies that some or all of the proposed loans to CTC would be secured by an interest in specific assets of CTC. Provide documentation of the specified assets that would be used as security for the proposed financing arrangements and/or loans.**

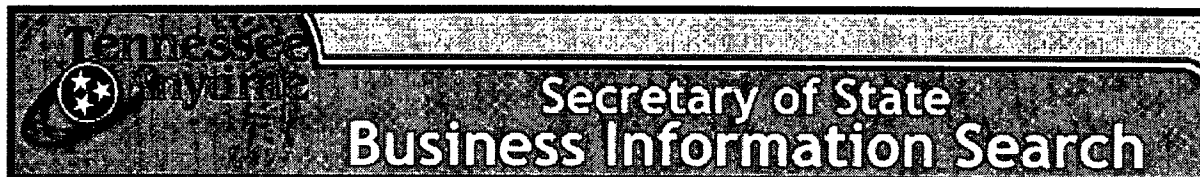
As the specifics of the proposed financing arrangements have not been finalized, CTC is unable to provide documentation of the specific assets that would be used as security for the proposed financing arrangements and/or loans.

- (10) **Provide the most recently independently audited balance sheet and operating statement of revenues for CTC.**

As indicated in the September 27, 2005 letter, CTC and its parent company, CTC Communications Group, Inc. (“CTC Group”) are both privately held corporations. CTC is not required to maintain an independently audited balance sheet or an operating statement of revenues. As such, it would be unduly burdensome for CTC to comply with this request.

ATTACHMENT A

CTC's Business License

[Secretary of State Web Site](#)[Instructions](#)

Name	I.D. Number
CTC COMMUNICATIONS CORP	0377357

Business Type*:	CORPORATION
Profit/Nonprofit:	FOR PROFIT
Status*:	ACTIVE
Date of Formation/Qualification:	09/21/1999
Domestic/Foreign:	FOREIGN
Place of Incorporation/Organization:	MA
Duration:	PERPETUAL
FYC(Fiscal Year Closing) Month:	DECEMBER

Principal Office:**Address Line 1:** 210 BEAR HILL RD**Address Line 2:****City:** WALTHAM**State:** MA**Zip:** 02451**Other than USA:****Registered Agent:****Name:** NATIONAL REGISTEREDAGENTS, INC**Address Line 1:** 1900 CHURCH ST**Address Line 2:** STE 400**City:** NASHVILLE**State:** TN**Zip:** 37203**Business Filing History**

* Important Note Business filing History includes information about (1) the basis for an inactive status and (2) the current true name and filing status of a business with an assumed name or a changed status

Note This information is current as of three working days prior to today's date

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ATTACHMENT B

Proposed Order

(to be provided electronically as required)

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 7, 2005

IN RE:

PETITION OF CTC COMMUNICATIONS CORP.
REGARDING ITS INTENT TO PROVIDE
SECURITY IN CONNECTION WITH FINANCING

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DOCKET NO.
05-00273

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Ron Jones, Director Deborah Taylor Tate, and Director Sara Kyle of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on November 7, 2005, to consider the *Petition of CTC Communications Corp Regarding its Intent to Provide Security in Connection with Financing* ("Petition") filed by CTC Communications Corp. ("CTC" or "Petitioner") on October 11, 2005.

CTC is a subsidiary of CTC Communications Group, Inc., ("CTC Group"). CTC was certificated to resell interexchange telecommunications services in the State of Tennessee in Docket No. 95-02520 on September 12, 1995.

The Petition

In the *Petition*, CTC is seeking authorization, pursuant to Tenn Code Ann § 65-4-109, to provide its guarantee, serve as a co-borrower, or to otherwise provide security in connection with financing of up to \$500 million being arranged for various affiliated companies, including, but

not limited to, its current parent, CTC Group and/or a new holding company that may be formed by CTC Group to directly own the stock of CTC (collectively, the "Borrowers").

According to the *Petition*, the exact amounts and terms of the financings, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed or shortly before funding of the various transactions and will reflect the market conditions then existing. Petitioner asserts that some of the terms, such as interest rate, may fluctuate during the term of the loans due to changes in market conditions and the financial condition and/or the performance of the Borrowers.

Petitioner states that due to the anticipated size of the borrowings, it is expected that the lenders will be a consortium of banks and financial institutions the composition of which may change over the life of the loan. The *Petition* indicates that other types of investors may be relied upon as well, however, at present, it is expected that the consortium will have as one of its lead banks Landsbanki Islands hf.

As indicated in the *Petition*, portions of the borrowed funds may be in the form of conventional credit facilities such as revolving credits (which can be reborrowed during the term); letters of credit; the issuance of secured or unsecured notes or debentures to banks, other types of financial institutions or other investors or term loans. Some or all of the loans may be secured by a security interest in specified assets of CTC, including a security interest in its stock, receivables, tangible personal property, and equipment.

According to the *Petition*, the interest rate will be the market rate for similar loans and will not be determined until such time as the loan, notes or debentures are finalized. Petitioner states that currently it is expected that the margin rate will be between 2 and 10 percent, depending on the Borrowers financial performance. Some borrowings may be based off of a

base rate, such as LIBOR or the Prime rate charged by a specified major bank for loans of similar size with similar maturities. In some cases, lenders, noteholders or debentures holders may also be given warrants to purchase voting securities of one or more of the Borrowers of up to 5% as part of the consideration for the financing.

Petitioner states that some of the proceeds may be used to repay amounts borrowed from its parent company, for general corporate purposes, capital expenses, and working capital. Other proceeds may be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

According to the *Petition*, the proposed financing transaction is in the public interest because it will provide Petitioner with the financial resources needed to grow and expand its business and to compete in Tennessee. Petitioner states that the financing transaction is not expected directly to affect in any way the rates or services of Petitioner or its affiliates, or result in any change in control of Petitioner or its affiliates. As a result, the source of funds and capital structure of Petitioner would have little effect on customers in Tennessee.

Statutory Framework

Tenn. Code Ann. § 65-4-109 (2004) states that:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

The November 7, 2005 Authority Conference

At the November 7, 2005 Authority Conference, the voting Panel voted unanimously to approve the financing transaction upon finding:

1. The proposed transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed transaction will affect the assets of CTC in Tennessee;
3. Petitioner has not alleged that approval of this transaction is required by any federal agency;
4. Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transaction and fitness of certificated telecommunications carriers;
5. The burden of compliance with Tenn. Code Ann. § 65-4-109 (2004) is minimal, as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment;
6. The transaction is being made in accordance with the law enforceable by the TRA; and
7. The purpose of the transaction is in the public interest because, based on the assertions of the Petitioner, the transaction will strengthen Petitioner's financial standing to enable Petitioner to better serve the citizens of Tennessee.

IT IS THEREFORE ORDERED THAT:

1. CTC Communications Corp. is authorized to enter into the financing transaction as described in the *Petition of CTC Communications Corp Regarding its Intent to Provide Security in Connection with Financing* and discussed herein.

2. The authorization given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.

Ron Jones, Chairman

Deborah Taylor Tate, Director

Sara Kyle, Director